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- ▶ Thinking smart about knowledge sharing

Rebecca Morris talks with Rob Zuidwijk and Bart Kuipers

- ▶ What value ethical leadership?

In discussion with Marius van Dijke, Steffen Giessner and Rob van Tulder

- ▶ A radical approach to radical innovation

By Dirk Deichmann and Jan van den Ende

- ▶ Close-tie entrepreneurial inspiration and business survival

By Jeroen P.J. de Jong

- ▶ Exploring the differentials between servant and transformational leadership

By Dirk van Dierendonck and Daan Stam

- ▶ Politics and perceptions in the demand for movies

By Jason Roos

- ▶ Sustainability bonuses: a credible sign of corporate responsibility?

By Paolo Perego



The business school that thinks
and lives in the future

Close-tie entrepreneurial inspiration and business survival

By Jeroen P.J. de Jong

Some people start a business because they are inspired to do so by entrepreneurial relatives and friends. Is this positive? The assumption is that the more entrepreneurial their parents or close friends are, the more motivated they will be to emulate them and their success. However, start-up inspiration from entrepreneurial family or friends may not necessarily boost the chances of survival.

Entrepreneurship requires a very wide set of skills – the incumbent has to “learn on the job”, assuming new roles and tasks, and establishing firm links within the industry, with customers and with investors as soon as they start out, whilst drawing upon previous experience to ensure the survival of the business.

Research into the subject identifies the conditions that can impact the long-term success of entrepreneurs and their businesses, from market size and technological conditions, to the age of the business and its financial health. Individual conditions should not be overlooked, namely the competences, knowledge and experience that entrepreneurs bring to the table, and the extent to which they may seek to emulate close friends or family with a similar entrepreneurial background.

Desire to emulate

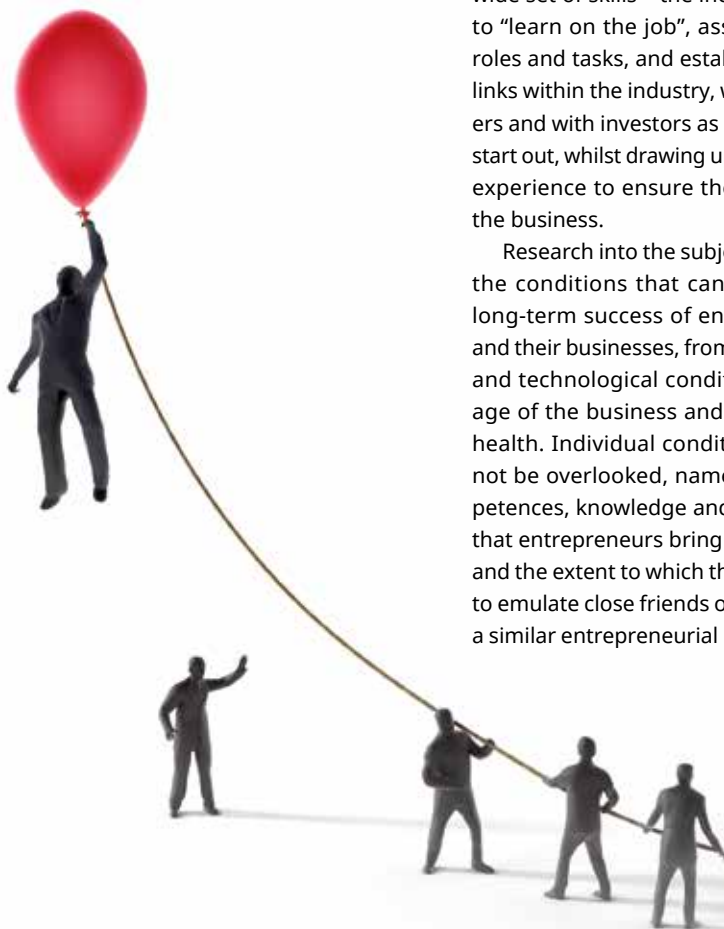
Many teachers and doctors are the sons and daughters of teachers and doctors. Similarly, business creation has been shown to run in the family – logically, the offspring of entrepreneurs should be motivated to emulate their parents’ example (and ditto for close entrepreneurial friends) and enjoy better opportunities to learn from such ties. However, the extra motivation and learning opportunities do not offer a guarantee of long-term business survival.

Recent analysis of 1,000 business founders in the Netherlands over the period 1994-2005 digs deeper into the issue. The study tests the long-term health of businesses against a series of variables, including the extent to which founders had close ties to entrepreneurs, whether the business venture was a takeover or a new creation, the time invested in the preparatory phase, and the amount of prior entrepreneurial experience.

Based on the data collected, entrepreneurs inspired by close ties to start their business prove no more or less likely to keep the business going. The desire to emulate the success of others, invest in a business not only for financial goals but also for interpersonal ones, and the ability to learn from the experience of others, do not have a positive or negative impact on the chances of business survival.

Determining success factors

The influence of inspiration from close ties depends on other variables. Firstly, founders inspired by close ties appear



to have a better chance of survival in the event of an existing business being taken over, as opposed to a brand new one being created. Presumably, these are family businesses taken over with full consent of their parents – seem-

of survival rose to 64 per cent when they were taken over by entrepreneurs with close personal ties to business creation, and who were prepared to dedicate the necessary time at start-up level.

“...having entrepreneurial ties is not enough, but rather it is *a combination* of such ties and hard work that matters.”

ingly an important prerequisite is to learn from these ties and be successful in the longer run.

Secondly, time investment is a key element in ensuring the long-term success and continued survival of a business. Whilst the motivation to emulate others appears across the board, only those entrepreneurs dedicating more time to a business venture in the start-up phase are more likely to survive. Apparently, beyond emulating their family or friends, high time investment signals high motivation and better opportunities to learn effectively from their ties – having entrepreneurial ties is not enough, but rather it is a combination of such ties and hard work that matters.

The most telling statistic to emerge from the data collected over the period 1994-2005 is that whilst 30 per cent of the businesses under scrutiny were likely to survive, the probability

Beware serial entrepreneurs

A third and final finding is that serial founders are much less likely to survive. “If at first you do not succeed, try and try again” is a frequently quoted adage in many walks of life, including business. All professionals should be allowed to make mistakes, learn from them, and apply their experiences. This is true for the sample under investigation, but not for entrepreneurs who wish to keep emulating their entrepreneurial ties after a previous failure.

Rather than learning from opportunities, repeated efforts to become an entrepreneur after failure indicate a lack of competency. Whilst such cases should not be considered as lacking the motivation to succeed upon each business creation, they can nevertheless be viewed as being less able to learn from previous mistakes and therefore lacking some of the vital competences to perform in the future.

Above all, this last finding underlines the key question in the debate of what makes a successful entrepreneur – understanding their motivations and the link between them and the way they work. Having the desire to succeed is one thing, but the key lies in the ability to assess and grasp the correct conditions for prolonging long-term business survival. ■

This article draws its inspiration from the paper *Founding a Business Inspired by Close Family Ties: Does it Matter for Survival?* written by Jeroen P.J. de Jong and Orietta Marsili and published online in the journal *Entrepreneurship Theory and Practice*, December 2013. DOI: 10.1111/etap.12086.

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